

## **SPECIAL NEEDS AFFORDABLE HOUSING LOAN PROGRAM**

**PROGRAM DESCRIPTION:** This is an interest rate reduction program. The Agency utilizes available financial resources to reduce the interest rate on any of the rental development finance program currently offered. The interest rate reduction program is flexible, and may be used in conjunction with (1) taxable financing and 9% tax credits, (2) tax exempt bond financing and 4% tax credits and (3) 501©(3) bonds. The interest rate reduction is determined on a case by case basis and depends in part the percentage of special needs residents being served.

**ELIGIBLE PROJECTS:** Rental housing developments that serve low-income, at-risk tenants in need of special services. Funding is available for both 100% special needs projects and mixed projects that serve both special needs and low income residents. As the developments success depends upon the quality and scope of services and how well they address tenant needs, CHFA will analyze how the borrower proposes to meet the multiple needs of clients. A committed source of service funding managed by a competent, experience special needs provider is required. Service funds must be available for at least 5 years with a realistic potential for renewal or replacement if necessary – locality funding is strongly recommended.

**ELIGIBLE PROJECT SPONSORS:** Experienced for-profits, non-profits and public agencies. CHFA places a heightened emphasis on the quality of the borrower/service provider relationship, with attention to the borrower and service providers financial strength and track record of providing affordable housing and high-quality services.

**LOAN TERMS:** CHFA will require a first mortgage of no less than \$300,000 for up to 30 years; fully amortized, fixed rate; 80% loan to value or 90% of development cost, whichever is less; debt service coverage minimum of 1.05; no minimum cash equity; pre-payment may be approved on a case-by-case basis.

### **ELIGIBLE USE OF FUNDS/TYPES OF ASSISTANCE**

- ❖ **Capital Costs:** There are no regulations specifying detailing eligible expenses. Generally, projects must have a capital improvement financing plan that meets the CHFA requirements for project development standards, reserves and contingencies.
- ❖ **Development Standards** for special needs projects is to provide “decent, safe, and sanitary” housing. Minimum rehabilitation requirements are based on a physical needs assessment, and seismic safety evaluation.
- ❖ **Subordinate financing** must be deferred or residual receipts with due dates equal to or later than CHFA’s due date.
- ❖ **Operating Costs.** CHFA’s operating cost requirements are similar to TCAC’s .
- ❖ **Reserves.** CHFA requires a minimum capitalized replacement of .04% of construction costs on new construction projects. Capitalized replacement reserves for rehabilitation projects are set on a case by case basis. A capitalized operating deficit reserve equal to 10% of the first years operating budget is required. Rent reserves may be an eligible expense if required for tax credit eligibility.

- ❖ **Services Costs.** The cost of a service coordinator may be an eligible operating expense. Other ongoing service costs are ineligible expenses unless paid for through grants.

## ELIGIBLE/TARGETED TENANT POPULATION

All units restricted to special needs residents must serve residents earning 50% or less of area median income - for a period of not less than 10 years, or the term of the CHFA special needs loan, whichever is shorter. "Special needs" tenants include persons with: mental disabilities; chronic health problems including HIV/AIDS; difficulties from substance abuse recovery; at risk of becoming homeless; and residents in need of specialized services. Projects must serve clearly defined special needs populations that require a stable, long-term supportive housing environment.

<b>Qualifications</b>	<ul style="list-style-type: none"> <li>▪ Loan Types: Permanent; Bridge or Loan to Lender</li> <li>▪ New Construction, or Acquisition/Rehabilitation</li> <li>▪ Non-Profit or Public Agency sponsors</li> <li>▪ Special needs projects may include mixed income tenants as appropriate for the target population.</li> </ul>
<b>Loan Amount</b>	<ul style="list-style-type: none"> <li>▪ Negotiable</li> <li>▪ Loan funds must be used for the real estate component of the project, and not for services</li> </ul>
<b>Fees</b>	<ul style="list-style-type: none"> <li>▪ \$500 Application Fee due at application submittal</li> <li>▪ 1% Loan Fee prior to Board Meeting</li> <li>▪ Credit enhancement fee included in the interest rate</li> </ul>
<b>Rate &amp; Term</b> (subject to change)	<ul style="list-style-type: none"> <li>▪ Rates are typically 3% or less depending on several factors including number of special needs tenants; percent of very-low income tenants served and the financial need of the project. There must be a clear link between the income level of the tenants, the cost of the special needs services and the amount of subsidy the Agency must commit to bring the interest rate down to a level that supports the project financially.</li> <li>▪ Fixed Rate, fully amortized; 5 to 30 year terms.</li> </ul>
<b>Subordinate Liens</b>	Subordinate loans or grants are encouraged from local governments and third parties to achieve project feasibility: All loans, leases, development and regulatory agreements must be subordinate to CHFA financing.
<b>Occupancy Requirements</b>	40% of the units are required to be restricted to special needs households earning 50% or less of the county median income (as adjusted by family size to qualify for a 3% interest rate. Projects that target 100% special needs tenants will receive higher subsidy amounts from CHFA.
<b>Due Diligence</b>	Appraisal ordered for CHFA; Market Study; Phase I; Seismic Review; Physical Needs Assessment (PNA) for rehabilitation projects; other studies as required by CHFA. All studies are at Borrower's expense. Design standards must meet CHFA's goal to provide safe and sanitary special needs housing. MOU with a qualified service provider with 1 <sup>st</sup> years service financing secured.
<b>Services and Asset Management</b>	The Borrower must provide a clearly articulated service delivery program and property management plan. The Borrower and affiliate organizations will be scrutinized both for its ability to deliver high quality services to the tenants and for its ability to successfully develop and manage the real estate component of the project.

Other Available financing options include:

Taxable & Tax-Exempt Permanent Financing  
Tax-exempt Bridge Loan  
Preservation Finance Programs  
Predevelopment Financing

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